For the 2nd Chapter 4 test you will need to understand and integrate the following terms and ideas

Public Goods

Private Goods

Rivalry and excludability

Quasi Public Goods (be able to determine what one is and why is a quasi public good as opposed to private good)

Circular Flow including Government (question 12 from the homework)

GDP—its components, expenditure and income approach

Which of the components is the most variable?

What is the relative % size of each component?

How is Savings related to Income and Consumption

How is Savings related to Investment

Why is increased savings in a recession a problem?

Why is increased taxation in a recession a problem?

Nominal and Current Dollar GDP

Real and Constant Dollar GDP

Transfer payments

Entitlement programs

Relative size of government expenses

Limitations with GDP as a measurement

Keynesian Economics

Fiscal Policy

Monetary Policy

Federal Reserve

Business Cycle

Recession

Expansion

Deficits/surpluses---

Debts- Why is Debt bad? How can Debt be good?

Financing Debt- how’s it done and why are interest rates so important?

Unemployment

Structural

Cyclical

Frictional

Underemployment

Inflation/Deflation

Stagflation

Hyperinflation

Price Index

Consumer Price Index (CPI)

Producer Price Index (PPI)

Problems with the measurement of inflation and unemployment

Philips Curve

Laffer Curve in reference to taxes